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SUBJECT: KAMCHATKA - A REGION STRUGGLING

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Summary  
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¶1. During a visit to Kamchatka Pol-Econ officer met with a good cross-section of local political leaders, businessmen, and commentators to catch the pulse of this, one of the naturally most spectacular regions of Russian, or anywhere. Like so many other places in the Russian Far East, the lack of good governance and plain old law and order undermines prospects for development. The local governor has proven a big disappointment to Kamchatkans, and Kamchatka has reportedly been for him as well. Meager funding and plans for physical infrastructure development hamstring any potential for expanding tourism to which just about everybody we met pins hopes for economic growth. We found a number of instances where grassroots-level collaboration between the US and Kamchatka were making a difference.

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One of the Wonders of our Natural World  
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¶2. In meetings with journalists, economic and political leaders, and environmentalists, during our November 17-20 visit to the Kamchatka Region, we discussed a range of current issues, particularly as they relate to American interests in this nature-rich peninsula 1,600 km northeast of Vladivostok. That is, as the crow flies, since there are no roads or railroads into Kamchatka, just expensive air seats and passage by sea. Kamchatka has 300,000 people and is the size of Germany, Austria, and Switzerland together.

¶3. One of the wonders of our natural world, 30 active volcanoes dot the region, and its Valley of the Geysers is second only to Yellowstone's vast geyser basins. Thousands of Brown bears, big brothers to the American Grizzly, feed in Kamchatka's rich salmon-filled rivers and streams. Without these salmon breeding areas, the world's salmon stocks would dwindle to meager and questionably sustainable numbers. A long term threat to the fish population is the prospect of major oil drilling in the Sea of Okhotsk. Three national reserves and four regional parks aim to preserve Kamchatka's pristine biodiversity. There are no fewer than six UNESCO World Heritage Sites on Kamchatka.

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Regional Governance - or lack thereof  
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¶4. The region has a new and young centrally appointed governor, the son-in-law of one of Putin's close friends, but a governor who has yet to gain any of his own friends in Kamchatka. A journalist, and just about everyone else who spoke candidly, told us that Governor Aleksey Kuzmitskiy has failed to gain the

confidence of business and other elites of the Region. He is reportedly himself tired of his position and looking for a way to get out of this part of Russia. Kuzmitskiy's reclusive behavior has made the administration even less responsive to the Region's needs.

15. In this sense, Kamchatka's poor governance is pretty much of the same brand as that inflicting other regions in Russia's Far East, but it stands out when environmental issues are of such crucial importance. Whereas the national preserves are funded centrally, regional parks rely on regional monies which are scarce and slow-coming. During our visit to the headquarters of the stunning Nalychevo Regional Park, we saw how the international community, including Americans, had jumped in to help the park evolve, in spite of this meager public support, into a modern institution entrusted with overseeing one of the volcanic wildlife-filled refuges near Petropavlovsk, Kamchatka's capital. Seriously lacking regional funding for Nalychevo's operations, the UNDP, WWF, US Forest Service, and Alaskan entities have joined other donors to build visitors centers, construct information signs, and provide training and education to workers, school children, and the local population.

16. The directors of the Nalychevo and its neighbor Kronotskiy Federal Biosphere Preserve did not indicate much cooperation between the two. We might have sensed some arrogance from the federal director towards the regional park. But the real problem was money. The regional government does not fund Nalychevo properly, and the Russian Federal Government provides no funding. The lack of governing support is a serious challenge for Nalychevo, and we assume the other regional parks as well.

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Tourism -- or lack thereof  
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17. Agriculture, commercial fishing, and tourism are Kamchatka's economic base. The regional government has worked out an investment package to incentivize inward investment. But there are a lot of horror stories that make for even bigger disincentives that keep investors out of this part of Russia. When we asked a local journalist about prospects for new investment he responded with a story about how a local official in a neighboring region had told an investor with a successful gold operation to sell his share. A Chechnyan group wanted it all, and their people had two bullets, the official said, one for the businessman and the other for the official, if the group did not get the mine. He pulled out. Our journalist said these were the risks for investment in this part of Russia.

18. The climate being what it is, and with little desire to expand fishing beyond current levels, everyone in Kamchatka looks to tourism for economic growth. The problem is accessibility. With air fares running USD 1,000 a seat from Vladivostok to Petropavlovsk, the cost for getting to Kamchatka is high. But once you get there, the scenic wonders are still quite inaccessible. For example, Kronotskiy Federal Preserve, which is 20 percent larger than Yellowstone National Park, issues a quota for only 3,000 visitors each year. A tourist can buy a place from the quota from a local travel agency, which, in turn, buys it from the park. The park's director, who looked like he was pushing 30 years old, said there is an attempt to increase that to 3,500 in 2010. To get to Kronotskiy, its towering volcanoes, breathtaking lakes, and steaming geysers, visitors need to take a helicopter at a price of USD 700 a person. In other words a road infrastructure into or even around these parks has yet to be built.

19. Numerous cruise ships from Alaska and Japan stop by Petropavlovsk during the summer months. But without easy access to the natural wonders, the city remains essentially a fishing town, and a stop-over of only a day or part of a day exhausts most tourists' interests, said the local cruise handler. The

lack of regional infrastructure, she complained, does not allow room to expand tourism much. She said when she raised this with the Governor, he responded that her agency just needed to invest in helicopters. She was dumbfounded. "Where do we get that kind of money?" she asked.

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#### American Connections

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¶10. Kamchatka is not as far north as one might think. Its southern tip lies on about the same latitude as the US-Canadian border. But it has a lot in common with Alaska, and virtually everyone we talked to had one connection or another with Alaska.

Park officials keep in touch with each other as well as municipal and other authorities.

¶11. There are a lot of connections with the State of Washington, as well. The mayor of Seattle had visited Kamchatka a few months earlier. Kamchatka's second city, Yelizovo, also had a cooperation program with Leavenworth, Washington, a tourism-centered town in the Cascades east of Seattle. The mayor told with enthusiasm how Yelizovo officials had been on an exchange in Leavenworth for hands-on experience in municipal administration.

¶12. Nevertheless, regional officials estimated that only about 4,500 Americans came to Kamchatka last year, slightly less than the number of Japanese who hold first place in the numbers of tourists. There might be a few more Americans making part day stops from the cruise ships. Most American visitors are hunters and fishermen seeking to enjoy the sports-rich mountains and streams, whatever the cost.

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#### No Gov, No Fun

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¶13. Overall 5-6,000 Americans a year is a pretty meager number, and if there are only a few more Japanese than Americans, tourism for a spectacular region like Kamchatka is despairingly negligible (Yellowstone had 900,000 visitors in July 2009, alone). Many in Kamchatka lament the demise of an air connection between Alaska and Kamchatka after the only airline connecting the peninsula to North America went bankrupt some time back. Nevertheless, the numbers tell a bigger story. Without access to the tourist areas, air connections will not solve the problem, even if the companies manage to run profitably. Without infrastructure, there is no access. And without dynamic, competent administration, no physical infrastructural development is in sight.

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